



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SIMPSON COUNTY SHERIFF**

Calendar Year 1998

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jim Henderson, Simpson County Judge/Executive

Honorable Joe Palma, Simpson County Sheriff

Members of the Simpson County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Simpson County, Kentucky, as of December 31, 1998.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Simpson County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

AUDIT REPORT OF
SIMPSON COUNTY SHERIFF

Calendar Year 1998

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To the People of Kentucky
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Independent Auditor's Report

I have audited the statement of receipts, disbursements, and excess fees of the Sheriff of Simpson County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States; and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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(Continued)

In my opinion, the financial statement referred to above presents fairly in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

Based on the results of my audit, I have presented comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Should Maintain An Accurate Receipts Ledger and Disbursements Ledger.
- The Sheriff Should Prepare An Accurate Quarterly Financial Report.

In accordance with Government Auditing Standards, I have also issued a report dated December 8, 1999, on my consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

December 8, 1999

SIMPSON COUNTY
JOE PALMA, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

<u>Receipts</u>								
State Fees For Services:								
Finance and Administration Cabinet				\$ 22,833				
KLEFPF				10,074		\$ 32,907		
Circuit Court Clerk:								
Sheriff Security Service				\$ 19,405				
Fines/Fees Collected				2,105		21,510		
Fiscal Court						50,974		
County Clerk-Delinquent Taxes						1,272		
Commission on Taxes Collected						195,731		
Fees Collected for Services:								
Accident/Police Reports				\$ 542				
Advertising Fees				108				
Auto Inspections				8,490				
Carry Concealed Deadly Weapon License Fees				2,160				
Serving Papers				20,076				
Miscellaneous				5,169		36,545		
Contributions						424		
Interest Earned						3,665		
Sale of Truck						2,300		
Borrowed Money:								
State Advancement				\$ 101,971				
Bank Note				17,000		118,971		
Gross Receipts (Carried Forward)								\$ 464,299

SIMPSON COUNTY
JOE PALMA, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward)					\$ 464,299
<u>Disbursements</u>					
Operating Disbursements and Capital Outlay:					
Payments to State-					
Carry Concealed Deadly Weapons License Fees			\$ 1,440		
Personnel Services-					
Deputies' Gross Salaries			196,020		
Employee Benefits-					
Employer's Share Social Security			17,863		
Contracted Services-					
Vehicle Maintenance and Repairs			7,969		
Transporting Prisoners			229		
Supplies and Materials-					
Office Materials and Supplies			8,757		
Auto Expense-					
Gasoline			11,726		
Vehicle Insurance			3,524		
Sheriff Mileage			6,238		
Other Charges-					
Dues			567		
Cellular Phones and Beepers			1,805		
Conventions			2,033		
K-9 Expenses			1,098		
Contract Labor			2,086		
Miscellaneous			4,928		
Capital Outlay-					
Cruiser Equipment			5,021		
Office Equipment			162		
Debt Service:					
State Advancement			101,971		
Notes			17,000		
Interest			183		
Total Disbursements					\$390,620

SIMPSON COUNTY
JOE PALMA, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Net Receipts							\$ 73,679
Less: Statutory Maximum							48,726
Excess Fees Due County for Calendar Year 1997							\$ 24,953
Payments to County Treasurer-February 2, 1999							22,309
Balance Due at Completion of Audit							\$ 2,644

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official utilizes a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of fee officials is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

NOTE 2: EMPLOYEES RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3: DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of December 8, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

SIMPSON COUNTY
JOE PALMA, SHERIFF
COMMENTS AND RECOMMENDATIONS

December 31, 1998

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger.

Tests of receipts and disbursements revealed that an accurate receipts ledger and disbursements ledger were not maintained by the Sheriff. KRS 134.160 requires the Sheriff to "keep an accurate account of all moneys received by him" and to "keep an accurate record of all disbursements made by him". The receipts and disbursements ledgers were materially incorrect due to unposted items. I recommend the Sheriff post all receipts and disbursements to the applicable ledgers and reconcile such ledgers to monthly bank statements.

Management's Response:

We had a change in personnel and I thought this was being done correctly.

2. The Sheriff Should Prepare An Accurate Quarterly Financial Report.

Under the authority of KRS 68.210, the State Local Finance Officer requires the Sheriff to file a Quarterly Financial Report. The Sheriff did prepare and file his Quarterly Financial Report; however, the report did not properly state the receipts and disbursements for calendar year 1998. I recommend the Sheriff include all receipts and disbursements on the Quarterly Financial Report.

Management's Response:

I agree. We had a change in personnel and I thought this was being done correctly.

PRIOR YEAR:

1) The Sheriff Should Eliminate The \$5,948 Deficit In His Official Account.

Response: Deficit was eliminated.

2) The Sheriff Should Maintain An Accurate Receipts And Disbursements Ledger.

3) The Sheriff Should Prepare An Accurate Quarterly Financial Report.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Jim Henderson, County Judge/Executive
Honorable Joe Palma, Simpson County Sheriff
Members of the Simpson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the Simpson County Sheriff as of December 31, 1998, and have issued my report thereon dated December 8, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Simpson County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations as items #1 and #2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Simpson County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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(Continued)

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Donna Bouvier
Certified Public Accountant

December 8, 1999